

**TOWN OF GRANITE, OKLAHOMA**  
**Annual Financial Statements and**  
**Independent Auditor's Report**  
**Fiscal Year June 30, 2013**

**TOWN OF GRANITE, OKLAHOMA**  
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**For the Year Ended June 30, 2013**

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# Scott Northrip

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## INDEPENDENT AUDITOR'S REPORT

To the Council of  
Town of Granite, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Granite, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Granite, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A2, Town of Granite, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note E1, Town of Granite, Oklahoma did not report capital assets in the financial information as well as depreciate the assets over its estimated useful life before July 1, 2003 for the general fixed assets as well as the business-type activity assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated. The capitalization of the assets and the depreciation of them would affect the financial statement but the amount by which this departure would affect the financial information could not be reasonably determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Granite, Oklahoma, as of and for the year ended June 30, 2013, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note A2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Continued

As described in Note A2, the City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended and interpreted, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the Town of Granite, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granite, Oklahoma's basic financial statements. The introductory section and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**Scott Northrip, CPA**

Scott Northrip, CPA

November 5, 2013

# TOWN OF GRANITE, OKLAHOMA

## Total Government Statement of Net Position

As of June 30, 2013

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>	<b>TOTAL</b>
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 59,664	\$ 60,740	\$ 21,750	\$ 142,154
Investments		800,658	165,000	965,658
Accounts Receivable	30,739	129,395		160,134
Prepaid Insurance	9,659	5,677		15,336
Capital Assets:				-
Capital Assets, net of depreciation	776,476	1,937,961		2,714,437
<b>TOTAL ASSETS</b>	<b>\$ 876,538</b>	<b>\$ 2,934,431</b>	<b>\$ 186,750</b>	<b>\$ 3,997,719</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	\$ 11,174	\$ 65,467		\$ 76,641
Deposits Payable from Rest. Assets			116,119	116,119
<b>TOTAL LIABILITIES</b>	<b>\$ 11,174</b>	<b>\$ 65,467</b>	<b>\$ 116,119</b>	<b>\$ 192,760</b>
Net Position:				
Restricted for:				
Invested in capital assets	\$ 776,476			\$ 776,476
Restricted Fund Balance	5,969			5,969
Unrestricted Fund Balance	82,919	2,868,964	70,631	3,022,514
<b>TOTAL NET POSITION</b>	<b>\$ 865,364</b>	<b>\$ 2,868,964</b>	<b>\$ 70,631</b>	<b>\$ 3,804,959</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 876,538</b>	<b>\$ 2,934,431</b>	<b>\$ 186,750</b>	<b>\$ 3,997,719</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
 Total Governmental Statement of Activities & Fund Balance  
 For the Year Ended June 30, 2013

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>	<b>TOTAL</b>
<b>REVENUES:</b>				
Taxes	\$ 185,413	\$ -	\$ -	\$ 185,413
Charges for Services	19,529	1,501,458	3,020	1,524,007
Capital & Operating Grants	15,709	3,576		19,285
Rentals	10,405			10,405
Donations	30			30
Investment Revenues	101	7,501	1,452	9,054
Miscellaneous Revenues	1,102	31,006		32,108
<b>TOTAL REVENUES</b>	<b>\$ 232,289</b>	<b>\$ 1,543,541</b>	<b>\$ 4,472</b>	<b>\$ 1,780,302</b>
<b>EXPENDITURES:</b>				
Managerial Salaries	\$ 30,885	\$ 280,553	\$ -	\$ 311,438
Legal Salaries	8,556			8,556
General Government	27,181			27,181
Police Department	196,821			196,821
Fire Department	21,982			21,982
Ambulance	12,000			12,000
Street Department	83,489			83,489
Park Department	21,976			21,976
Cemetary	6,386			6,386
Senior Citizens	10,361			10,361
Library	3,536			3,536
Community Events	3,513			3,513
Maintenance & Operations	30,951	128,382	1,338	160,671
Other				-
Purchases for Resale		807,452		807,452
Depreciation	56,344	120,289		176,633
<b>TOTAL EXPENDITURES</b>	<b>\$ 513,981</b>	<b>\$ 1,336,676</b>	<b>\$ 1,338</b>	<b>\$ 1,851,995</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (281,692)</b>	<b>\$ 206,865</b>	<b>\$ 3,134</b>	<b>\$ (71,693)</b>
<b>OTHER SOURCES (USES):</b>				
Transfers In	\$ 452,224	\$ 1,040	\$ -	\$ 453,264
Transfers Out		(451,840)	(1,424)	(453,264)
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ 452,224</b>	<b>\$ (450,800)</b>	<b>\$ (1,424)</b>	<b>\$ -</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 170,532</b>	<b>\$ (243,935)</b>	<b>\$ 1,710</b>	<b>\$ (71,693)</b>
Fund Balances - Beginning	694,832	3,112,899	68,921	3,876,652
<b>FUND BALANCES - ENDING</b>	<b>\$ 865,364</b>	<b>\$ 2,868,964</b>	<b>\$ 70,631</b>	<b>\$ 3,804,959</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to the Statements of Net Position & Activities**  
**For the Year Ended June 30, 2013**

- A1. The Town of Granite, Oklahoma's financial reporting entity includes the primary government and utility authority. The Town operates under a mayor and council form of government by a five member council elected by the citizens.
- A2. The statements of net position and activities are reported on a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:
- capital assets and the depreciation of those assets, where applicable
  - long-term debt
  - cash-based inter-fund receivables and payables
  - investments
  - utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Town has not implemented the new accounting and financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These new standards have changed the format and content of the financial Statements from that used in periods prior to June 30, 2004.

- A3. Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.
- A4. Investments consist of long-term certificates of deposit and are reported at cost.
- A5. Capital assets are reported as assets net of accumulated depreciation. Capital outlays are not reported as an expenditure and depreciation is reported on statement of activities.
- A6. The Town of Granite had zero long-term debt as of June 30, 2013.
- A7. Fund balance or net position is displayed in three components:
- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
  - b. *Restricted fund balance* – consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
  - c. *Unrestricted fund balance* – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to the Statements of Net Position & Activities - Continued**  
**For the Year Ended June 30, 2013**

- A8. The Town is not a party to any legal proceedings which normally occur in the course of government operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an advalorem tax over a three-year period by a Town Sinking Fund for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.
- A9. The Town's policy is to eliminate inter-fund receivables and payables between funds in the statement of net position to avoid the grossing up of balances.
- A10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF GRANITE, OKLAHOMA**  
 Governmental Funds Statement of Net Position  
 As of June 30, 2013

	<b>General</b>	<b>Special Revenue Fund</b>	<b>TOTAL GOVERNMENT FUNDS</b>
<b>ASSETS:</b>			
Cash & Cash Equivalents	\$ 56,901	\$ 2,763	\$ 59,664
Taxes Receivable	27,533	3,206	30,739
Prepaid Insurance	9,659	-	9,659
<b>TOTAL ASSETS</b>	<b>\$ 94,093</b>	<b>\$ 5,969</b>	<b>\$ 100,062</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 11,174	\$ -	\$ 11,174
Due to others			-
<b>TOTAL LIABILITIES</b>	<b>\$ 11,174</b>	<b>\$ -</b>	<b>\$ 11,174</b>
Net Position:			
Restricted Fund Balance	-	5,969	5,969
Unreserved Fund Balance	82,919		82,919
<b>TOTAL NET POSITION</b>	<b>\$ 82,919</b>	<b>\$ 5,969</b>	<b>\$ 88,888</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 94,093</b>	<b>\$ 5,969</b>	<b>\$ 100,062</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
 Governmental Funds Statement of Activities & Fund Balance  
 For the Year Ended June 30, 2013

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
<b>REVENUES:</b>			
Taxes	\$ 166,638	\$ 17,493	\$ 184,131
Charges for Services	19,529		19,529
Capital & Operating Grants	15,709		15,709
Rentals	10,405		10,405
Donations	30		30
Investment Revenues	77	24	101
Miscellaneous Revenues	11,784		11,784
<b>TOTAL REVENUES</b>	<b>\$ 224,172</b>	<b>\$ 17,517</b>	<b>\$ 241,689</b>
<b>EXPENDITURES:</b>			
Managerial Salaries	\$ 30,885	\$ -	\$ 30,885
Legal Salaries	8,556		8,556
General Government	27,181		27,181
Police Department	196,821		196,821
Fire Department	21,982		21,982
Ambulance	12,000		12,000
Street Department	83,489		83,489
Park Department	21,976		21,976
Cemetary	6,386		6,386
Senior Citizens	10,361		10,361
Library	3,536		3,536
Community Events	3,512		3,512
Maintenance & Operations		30,951	30,951
Capital Outlay	222,891	17,882	240,773
<b>TOTAL EXPENDITURES</b>	<b>\$ 649,576</b>	<b>\$ 48,833</b>	<b>\$ 698,409</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (425,404)</b>	<b>\$ (31,316)</b>	<b>\$ (456,720)</b>
<b>OTHER SOURCES (USES):</b>			
Transfers In	\$ 452,224		\$ 452,224
Transfers Out			-
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ 452,224</b>	<b>\$ -</b>	<b>\$ 452,224</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 26,820</b>	<b>\$ (31,316)</b>	<b>\$ (4,496)</b>
Fund Balances - Beginning	56,099	37,285	93,384
<b>FUND BALANCES - ENDING</b>	<b>\$ 82,919</b>	<b>\$ 5,969</b>	<b>\$ 88,888</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Governmental Funds Financial Statements**  
**For the Year Ended June 30, 2013**

B1. The Town's governmental funds are comprised of the following funds:

Non-Major Funds:

- General Fund – accounts for all activities of administering and maintaining the City
  
- Special Revenue Fund – This consists of the Street & Alley Fund which is used to account for designated revenue sources

B2. The governmental funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net position. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statement use fund balance or net position as their measure of available spendable financial resources at the end of the period.

B3. Sales tax revenues represents a three (3) cent local tax on each dollar of taxable sales within the Town.

B4. The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters or to pay judgments rendered against the Town.

B5. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.

B6. Capital Outlays are reported as cash transactions on the statement of activities and no depreciation is reported.

# TOWN OF GRANITE, OKLAHOMA

## Proprietary Funds Statement of Net Position

As of June 30, 2013

### ASSETS:

#### Current Assets:

Cash & Cash Equivalents	\$ 60,740
Investments	800,658
Accounts Receivable	129,395
Prepaid Insurance	<u>5,677</u>
<b>Total Current Assets</b>	<b><u>\$ 996,470</u></b>

#### Noncurrent Assets:

Capital Assets:	
Other Capital Assets, net of depreciation	<u>\$ 1,937,961</u>
<b>Total Noncurrent Assets</b>	<b><u>\$ 1,937,961</u></b>

**TOTAL ASSETS** **\$ 2,934,431**

### LIABILITIES AND NET POSITION:

#### Current Liabilities:

Accounts Payable	<u>\$ 65,467</u>
<b>Total Current Liabilities</b>	<b><u>\$ 65,467</u></b>

#### Net Position:

Restricted for:	
Invested in capital assets, net of debt	\$ -
Unrestricted Fund Balance	<u>2,868,964</u>

**Total Net Position** **\$ 2,868,964**

**TOTAL LIABILITIES AND NET POSITION** **\$ 2,934,431**

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Proprietary Funds Statement of Activities & Fund Balance**  
For the Year Ended June 30, 2013

**OPERATING REVENUES:**

Water Sales	\$	242,094	
Gas Sales		382,179	
Electric Sales		697,311	
Trash Sales		108,955	
Sewer Sales		44,044	
Penalties		19,847	
Other Revenues		17,337	
<b>Total Operating Revenues</b>		<u>1,511,767</u>	<b>\$ 1,511,767</b>

**OPERATING EXPENSES:**

Water	Personnel	\$	88,570	
	Maintenance & Operations		38,539	
	Purchases		114,383	
	Depreciation		60,751	
Gas	Personnel		85,312	
	Maintenance & Operations		22,613	
	Purchases		111,246	
	Depreciation		14,241	
Electricity	Personnel		99,918	
	Maintenance & Operations		53,135	
	Purchases		454,831	
	Depreciation		20,601	
Sewer	Personnel		6,753	
	Maintenance & Operations		3,189	
	Purchases		10,906	
	Depreciation		24,696	
Sanitation	Contract Services		126,992	
<b>Total Operating Expenses</b>			<u>1,336,676</u>	<b>\$ 1,336,676</b>

**OPERATING INCOME (LOSS) \$ 175,091**

**OTHER REVENUES (EXPENSES):**

Investment Revenues	\$	7,501	
Electric Awards		20,697	
FEMA Grants		3,576	
<b>Total Other Revenues(Expenses)</b>		<u>31,774</u>	<b>\$ 31,774</b>

**NET INCOME (LOSS) BEFORE TRANSFERS \$ 206,865**

Transfers In		1,040	
Transfers Out		(451,840)	
<b>CHANGES IN NET POSITION</b>		<u>(243,935)</u>	<b>\$ (243,935)</b>

Net Position - Beginning 3,112,899

**NET POSITION - ENDING 2,868,964**

See accompanying notes to the financial statements.

# TOWN OF GRANITE, OKLAHOMA

## Proprietary Funds Statement of Cash Flows

As of June 30, 2013

### CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 1,496,443
Payments to suppliers	(944,363)
Payments to employees	(280,553)

### Net Cash Provided from Operating Activities

\$ 271,527

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Equipment Sales	\$ 1,298
Transfers from Other Funds	1,040
Transfers to Other Funds	(451,840)

### Net Cash Provided from Noncapital Financing Activities

\$ (449,502)

### CASH FLOWS FROM INVESTING ACTIVITIES:

Awards	\$ 20,697
FEMA Grants	3,576
Interest Collected	7,501

### Cash Flows from Investing Activities

\$ 31,774

### INCREASE (DECREASE) IN CASH

\$ (146,201)

Cash Balance, July 1, 2012

1,007,599

Cash Balance, June 30, 2013

\$ 861,398

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income \$ 175,091

### Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation \$ 120,289

### Change in assets & liabilities:

Decrease (Increase) in accounts receivable (15,324)

Decrease (Increase) in prepaid expenses (2,342)

(Decrease) Increase in payables (6,187)

Total Adjustments 96,436

### NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 271,527

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Proprietary Funds Financial Statements**  
**For the Year Ended June 30, 2013**

- C1. The proprietary funds consist primarily of the Utilities Authority generally receives funds through the services of providing the different utilities to the customers of the Town. The proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus.
- C2. The proprietary funds are reported on a modified cash basis, as defined in footnote A2, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
- C3. For the purpose of the cash flow statement, cash and cash equivalents includes all demand, savings accounts, and certificates of deposit.
- C4. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.
- C5. The proprietary fund does not have any long-term debt during the year being audited.

**TOWN OF GRANITE, OKLAHOMA**  
 Fiduciary Funds Combined Statement of Net Position  
 As of June 30, 2013

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 1,461	\$ 10,979	\$ 9,310	\$ 21,750
Investments	-	50,000	115,000	165,000
<b>TOTAL ASSETS</b>	<b>\$ 1,461</b>	<b>\$ 60,979</b>	<b>\$ 124,310</b>	<b>\$ 186,750</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Deposits Payable	\$ -	\$ -	\$ 116,119	\$ 116,119
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 116,119</b>	<b>\$ 116,119</b>
Net Position:				
Unrestricted Fund Balance	\$ 1,461	\$ 60,979	\$ 8,191	\$ 70,631
<b>TOTAL NET POSITION</b>	<b>\$ 1,461</b>	<b>\$ 60,979</b>	<b>\$ 8,191</b>	<b>\$ 70,631</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,461</b>	<b>\$ 60,979</b>	<b>\$ 124,310</b>	<b>\$ 186,750</b>

See accompanying notes to the financial statements.

## TOWN OF GRANITE, OKLAHOMA

### Fiduciary Funds Combined Statement of Activities & Changes in Fund Balance As of June 30, 2013

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
<b>REVENUES:</b>				
Deposits at Statutory Rates	\$ 1,520	\$ -	\$ -	\$ 1,520
Cemetery Lot Sales		1,500	-	1,500
Interest Income		503	949	1,452
<b>TOTAL REVENUES</b>	<b>\$ 1,520</b>	<b>\$ 2,003</b>	<b>\$ 949</b>	<b>\$ 4,472</b>
<b>EXPENDITURES:</b>				
Remitted to Cleet	\$ 1,338	\$ -	\$ -	\$ 1,338
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,338</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,338</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ 182</b>	<b>\$ 2,003</b>	<b>\$ 949</b>	<b>\$ 3,134</b>
<b>OTHER SOURCES (USES):</b>				
Transfers Out	\$ -	\$ (483)	\$ (941)	\$ (1,424)
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$ 182</b>	<b>\$ 1,520</b>	<b>\$ 8</b>	<b>\$ 1,710</b>
Fund Balances - Beginning	1279	59,459	8,183	68,921
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,461</b>	<b>\$ 60,979</b>	<b>\$ 8,191</b>	<b>\$ 70,631</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Fiduciary Funds Financial Statements**  
**For the Year Ended June 30, 2013**

D1. The Town's fiduciary funds are comprised of the following funds:

Non-Major Funds:

- Police Training – accounts for all activities of training the police
  
- Cemetery – accounts for all activities of cemetery lot sales
  
- Meter Deposit – accounts for all activities of meter deposits

D2. The fiduciary funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net position. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance or net position as their measure of available spendable financial resources at the end of the period.

**TOWN OF GRANITE, OKLAHOMA**  
**Schedule of Deposits and Investments**  
**For the Year Ended June 30, 2013**

**Footnotes to Schedule of Deposits and Investments:**

- E1. *Custody Credit Risk* – deposits in financial institutions, reported as cash & cash equivalents and investments, were insured by depository insurance and/or secured with collateral held by the Town's agent in its name.
- E2. *Deposit categories of credit risk*
- (a) Insured or collateralized with securities held by the Town's name.
  - (b) Collateralized with securities held by the pledging financial institution's trust department of agent in the Town's name.
  - (c) Uncollateralized.

	<u>Category</u>			
(a)	(b)	(c)	Balance	
\$500,000	\$554,273	\$53,539	\$1,107,812	

Reported in:

General Fund	\$ 56,901
Special Revenue Fund	2,763
Enterprise Fund	861,398
Trust and Agency	<u>186,750</u>
	<u>\$1,107,812</u>

**TOWN OF GRANITE, OKLAHOMA**  
**SCHEDULE OF CAPITAL ASSETS:**

GENERAL FIXED ASSETS GROUP For the Year 6/30/2013	Balance 7-1-2012	Additions	Deletions	Balance 6-30-2013
Land & Improvements	\$ 39,678	\$ 10,726	\$ -	\$ 50,404
Buildings & Improvements	\$ 791,206	\$ 209,887	\$ -	\$ 1,001,093
Machinery & Equipment	\$ 667,985	\$ 20,160	\$ (34,449)	\$ 653,696
<b>TOTAL</b>	<b>\$ 1,498,869</b>	<b>\$ 240,773</b>	<b>\$ (34,449)</b>	<b>\$ 1,705,193</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Land & Improvements	\$ 13,384	\$ 1,759	\$ -	\$ 15,143
Buildings & Improvements	\$ 393,595	\$ 23,232	\$ -	\$ 416,827
Machinery & Equipment	\$ 490,442	\$ 31,354	\$ (25,049)	\$ 496,747
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 897,421</b>	<b>\$ 56,345</b>	<b>\$ (25,049)</b>	<b>\$ 928,717</b>
<b>NET FIXED ASSETS</b>	<b>\$ 601,448</b>	<b>\$ 184,428</b>	<b>\$ (9,400)</b>	<b>\$ 776,476</b>

PROPRIETARY FUNDS: For the Year 6/30/2013	Balance 7-1-2012	Additions	Deletions	Balance 6-30-2013
Water System	\$ 1,680,473	\$ -	\$ (519)	\$ 1,679,954
Gas System	\$ 498,819	\$ -	\$ (519)	\$ 498,300
Electric System	\$ 678,087	\$ -	\$ (519)	\$ 677,568
Sewer System	\$ 839,455	\$ -	\$ -	\$ 839,455
<b>TOTAL</b>	<b>\$ 3,696,834</b>	<b>\$ -</b>	<b>\$ (1,557)</b>	<b>\$ 3,695,277</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Water System	\$ 811,773	\$ 60,751	\$ (86)	\$ 872,438
Gas System	\$ 236,167	\$ 14,241	\$ (87)	\$ 250,321
Electric System	\$ 431,364	\$ 20,601	\$ (87)	\$ 451,878
Sewer System	\$ 157,983	\$ 24,696	\$ -	\$ 182,679
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 1,637,287</b>	<b>\$ 120,289</b>	<b>\$ (260)</b>	<b>\$ 1,757,316</b>
<b>NET FIXED ASSETS</b>	<b>\$ 2,059,547</b>	<b>\$ (120,289)</b>	<b>\$ (1,297)</b>	<b>\$ 1,937,961</b>

# TOWN OF GRANITE, OKLAHOMA

## SCHEDULE OF CAPITAL ASSETS:

For the Year Ending June 30, 2013

### Footnotes to the Schedule of Capital Assets:

F1. Capital assets are reported at actual or estimated historical cost at the time of the cash transaction. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, drainage systems, and traffic signal systems were not included. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

F2. Depreciable capital assets are depreciated on a straight-line basis over their estimated useful life. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Buildings	20-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-10 years
Utility property and improvements	5-50 years
Infrastructure	5-50 years

**TOWN OF GRANITE, OKLAHOMA**  
 Budgetary Comparison Schedule of General Fund  
 For the Year Ended June 30, 2013

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance</b>	\$ 24,059	\$ 24,059	\$ 24,059	\$ -
<b><u>RESOURCES (INFLOWS):</u></b>				
<b>TAXES:</b>				
Sales Tax	\$ 126,076	\$ 126,076	\$ 133,468	\$ 7,392
Alcohol Beverage Tax	21,092	21,092	24,909	3,817
Cigarette & Use Tax	8,855	8,855	8,261	(594)
<b>Total Taxes</b>	<b>\$ 156,023</b>	<b>\$ 156,023</b>	<b>\$ 166,638</b>	<b>\$ 10,615</b>
<b>CHARGES FOR SERVICES:</b>				
Rentals	\$ 8,348	\$ 8,348	\$ 10,405	\$ 2,057
Swimming Pool	2,305	2,305	3,412	1,107
Fire Truck Fees	1,359	1,359	3,065	1,706
Police Fines	11,031	11,031	10,670	(361)
Other Revenue	86,289	86,289	14,166	(72,123)
<b>Total Charges for Services</b>	<b>\$ 109,332</b>	<b>\$ 109,332</b>	<b>\$ 41,718</b>	<b>\$ (67,614)</b>
<b>GRANTS</b>	<b>\$ 17,696</b>	<b>\$ 17,696</b>	<b>\$ 15,709</b>	<b>\$ (1,987)</b>
<b>DONATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30</b>	<b>\$ 30</b>
<b>INVESTMENT REVENUES</b>	<b>\$ 2,037</b>	<b>\$ 2,037</b>	<b>\$ 77</b>	<b>\$ (1,960)</b>
<b>TRANSFERS FROM OTHER FUNDS</b>	<b>\$ 585,206</b>	<b>\$ 585,206</b>	<b>\$ 452,224</b>	<b>\$ (132,982)</b>
<b>TOTAL RESOURCES (INFLOWS)</b>	<b>\$ 870,294</b>	<b>\$ 870,294</b>	<b>\$ 676,396</b>	<b>\$ (193,898)</b>
<b>AMOUNT AVAILABLE TO APPROPRIATE</b>	<b>\$ 894,353</b>	<b>\$ 894,353</b>	<b>\$ 700,455</b>	<b>\$ (193,898)</b>
<b><u>APPROPRIATIONS (OUTFLOWS):</u></b>				
Managerial	\$ 3,500	\$ 3,500	\$ 3,100	\$ 400
Treasurer	1,500	1,500	1,108	392
Clerk	28,000	28,000	26,677	1,323
Attorney	7,300	7,300	6,600	700
Judge	2,300	2,300	1,956	344
General Government	100,000	100,000	35,072	64,928
Police Department	215,000	215,000	196,821	18,179
Fire Department	35,500	35,500	27,360	8,140
Ambulance	12,000	12,000	12,000	-
Street Department	100,000	100,000	83,489	16,511
Park Department	162,000	162,000	75,055	86,945
Cemetary	15,000	15,000	6,386	8,614
Senior Citizens	150,000	150,000	166,904	(16,904)
Library	15,000	15,000	3,536	11,464
Community Events	15,000	15,000	3,512	11,488
Other	32,253	32,253	-	32,253
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 894,353</b>	<b>\$ 894,353</b>	<b>\$ 649,576</b>	<b>\$ 244,777</b>
<b>ENDING BUDGETARY FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,879</b>	<b>\$ 50,879</b>

**TOWN OF GRANITE, OKLAHOMA**  
Budgetary Comparison Schedule of General Fund  
For the Year Ended June 30, 2013

**Footnotes to Budgetary Comparison:**

- G1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
- G2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Council approval.

**TOWN OF GRANITE, OKLAHOMA**  
**SCHEDULE OF FEDERAL & STATE AWARDS**  
For the year Ending June 30, 2013

Federal/State Grantor/Pass thru Agency Grantor/Program Title	Federal CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
<b>STATE AWARDS:</b>					
Southwest OK Development Authority: CENA Grant	N/A	242 CENA 13	\$ 3,800	\$ 3,800	\$ 3,800
OK Department of Public Safety Oklahoma Highway Safety Grant	N/A	N/A	\$ 1,010	\$ 1,010	\$ 1,010
OK Department of Agriculture Fire Department Grant	N/A	N/A	\$ 4,484	\$ 4,484	\$ 4,484
OK Department of Civil Emergency: FEMA Grants		97.036 DR-1876-OK	\$ 9,491	\$ 9,491	\$ -
<b>TOTAL STATE AWARDS</b>			<u>\$ 18,785</u>	<u>\$ 18,785</u>	<u>\$ 17,737</u>

**Footnotes to Schedule of Expenditures of Federal & State Awards**

- H1. The Schedule of Expenditures of Federal and State Awards is prepared on a modified cash basis.  
H2. The FEMA grant reimbursements were for prior year damages and expenditures were made in a prior year.

# Scott Northrip

*Certified Public Accountant*  
*P.O. Box 642, 311 S. Main St.*  
*Hobart, Oklahoma 73651*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Council of  
Town of Granite, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Granite, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated November 5, 2013. The report reflects an adverse opinion based on the fact that the financial statements did not include the capitalization of the capital assets or the depreciation of them. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and but not for the purpose of expressing our opinions on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER:  
*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

Report of Compliance and Internal Control over Financial Reporting - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Granite, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Council, management of the Town of Granite, and is not intended to be and should not be used by anyone other than these specified parties.

*Scott Northrip, CPA*

Scott Northrip, CPA

November 5, 2013